

Message Text

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ACTION EB-07

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COME-00 DODE-00 DOTE-00 INR-07 NSAE-00 FAA-00 L-03

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FM AMEMBASSY MONROVIA

TO SECSTATE WASHDC 8430

INFO AMCONSUL CASABLANCA

AMEMBASSY LONDON

C O N F I D E N T I A L MONROVIA 7845

CASABLANCA FOR RCAA

LONDON FOR COLWELL FROM PORTER

EO 11652 GDS

TAGS: EAIR, LI

SUBJ: CIVAIR - UNCERTAIN STATUS OF AIRWEST MANAGEMENT CONTRACT
WITH AIR LIBERIA RELATED GOL BILATERALS REQUEST

REF: MONROVIA 7808 (NOTAL)

1. AS INDICATED REFTTEL, HUGHES AIRWEST GAVE 90 DAY NOTICE TO GOL OF TERMINATION OF AIR LIBERIA MANAGEMENT CONTRACT UNLESS PROPOSED AIRWEST REVISIONS ACCEPTED. AIRWEST HAS AGREED TO EXTEND THAT DEADLINE ONE MONTH (TO MARCH 7), PRESUMABLY TO ALLOW GOL MORE TIME EVALUATE PROPOSAL, BUT PROBABLY PROVIDE TRANSITION AND SMALL OVERLAP FOR BRITISH CALEDONIA, WHICH IS EXPECTED TO TAKE OVER AIR LIBERIA MANAGEMENT MARCH 1 (ALTHOUGH THIS NOT DEFINITE).

2. IN DISCUSSION WITH EMBOFF DEC 31, AIR LIBERIA PRESIDENT HUTT (HUGHES AIRWEST) CLARIFIED SITUATION AND PROVIDED ADDITIONAL INFO IN STRICTEST CONFIDENCE. HUTT SAID THAT YESTERDAY HE APPROACHED BY LOCAL B/CAL MANAGER (VARLEY) WHO MADE CONFIDENTIAL OFFER TO HUTT TO REMAIN FOR AT LEAST ONE YEAR AND OPERATE AIR LIBERIA FOR B/CAL. VARLEY INDICATED THIS
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REQUEST CAME AT SUGGESTION OF GOL WHICH MOST PLEASED WITH

HUTT'S PERFORMANCE. HUTT POLITELY DECLINED, SAYING IF AIRWEST WENT, HE WENT WITH IT. TO EMBOFF, HUTT SAID THAT WHILE HE FELT GOL CONFIDENCE IN HIM A COMPLIMENT, HE CONSIDERED OFFER INSULT AND UNPROFESSIONAL, BUT REALIZED B/CAL IN TOUGH POSITION.

3. HUTT FEELS GOL WILL ACCEPT B/CAL OFFER, WHICH CHEAPER THAN AIRWEST (REPORTEDLY ABOUT \$300,000 ANNUALLY VS. \$413,000). HUTT FEELS GOL WOULD GET BAD DEAL BECAUSE AIRWEST OFFER LOSEST POSSIBLE TO DO LITTLE BETTER THAN BREAK EVEN WITH MANAGEMENT IN BEST AIR LIBERIA INTERESTS, INCLUDING EXPANSION PLANNING. HUTT FEELS B/CAL MORE INTERESTED IN SECURITY ITS OWN POSITION IN WEST AFRICA AND THAT AIR LIBERIA ONLY MEANS TO THAT END.

4. EMBOFF SKETCHED OUT CURRENT STATUS OF GOL REQUEST FOR BILATERAL NEGOTIATIONS WITH U.S. AND AKSED IF GOL REQUEST FOR EXTENSION MIGHT BE RELATED. HUTT SAID HE NOT HEARD THIS BEFORE, BUT FELT TWO ISSUES DEFINITELY RELATED, AND THAT GOL WOULD LIKE TO BE ABLE OFFER B/CAL US RIGHTS THROUGH AIR LIBERIA (IN WHICH HE FELT B/CAL MIGHT BE INTERESTED). HUTT CONFIRMED THAT B/CAL HAD OFFERED GOL LEASE (WITH LATER PURCHASE ON SOFT TERMS) BAC-111 (COST SEPARATE FROM MANAGEMENT CONTRACT), BUT WAS UNAWARE IF B/CAL HAD OFFERED LARGER JETS CAPABLE OF MONROVIA-U.S. RUN.

5. IN EXPLAINING WHY AIRWEST WOULD LOSE CONTRACT (ASIDE FROM HIGHER COST) WHEN GOL OBVIOUSLY PLEASED BY RECENT PERFORMANCE, HTT SAID THAT CHIEF FOREIGN ADVISOR IN MINISTRY OF FINANCE (RESPONSIBLE FOR GOVERNMENT CORPORATIONS) HAD DEFINITE ANTI-U.S. BIAS. THIS REINFORCED BY LOCAL MANAGERS OF SOME EUROPEAN CARRIERS WHO OFTEN ACT AS TOP LEVEL ADVISORS TO GOL ON CIVAIR MATTERS. HUTT FELT HE OFTEN TAKEN INTO THEIR CONFIDENCE BECAUSE OF HIS EUROPEAN ACCENT. (HUTT MADE CLEAR HIS LOYALTIES AS AMCIT AND AIRWEST EMPLOYEE.)

6. HUTT SAID AIRWEST PREPARED WAIT UNTIL MARCH 6 FOR GOL DECISION AND THAT AIRWEST WOULD CONTINUE IF PROPOSAL ACCEPTED BY THAT DATE. HOWEVER, HE INDICATED HE EXPECTED CONFIDENTIAL

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B/CAL TEAM TO ARRIVE IN JANUARY TO BEGIN GOING OVER AIR LIBERIA BOOKS AND BEGIN INTERFACE. HE SAID UNLESS CONTRACT WITH GOL SIGNED, HE WOULD NOT GIVE B/CAL ACCESS AIR LIBERIA/ AIRWEST RECORDS. THEREFORE, HE EXPECTS DECISION SOONER. HE SAID HE WOULD KEEP EMBASSY INFORMED ON DEVELOPMENTS AND ASKED THAT WE DO SAME.

7. COMMENT: HUTT IS WELL REGARDED IN LOCAL EUROPEAN

CIRCLES AND EXTREMELY KNOWLEDGEABLE OF LOCAL SCENE AND AIRLINE MATTERS. HE OBSERVATIONS CORROBORATE EMBASSY SUSPICIONS REPORTED PREVIOUSLY THAT STATUS OF AIR LIBER VERY MUCH PART OF GOL PUSH ON BILATERAL ISSUE. EMBASSY BELIEVES THAT EARLY RESPONSE TO GOL WOULD CLEAR AIR, AND THAT IF RESPONSE NEGATIVE TO TALKS IN FEBRUARY, GOL CONCEIVABLY MIGHT CONTINUE WITH AIRWEST UNTIL US-GOL SITUATION CLARIFIED. END COMMENT.

8. ACTION REQUESTED: WOULD APPRECIATE REPLY TO GOL (REQUESTED REFTTEL) BE READY FOR PRESENTATION GOL IMMEDIATELY AFTER INAUGURATION FESTIVITIES OVER.

9. FOR LONDON AND CASABLANCA: WOULD APPRECIATE ANY INSIGHT YOU MIGHT HAVE INTO SITUATION.
PENBERTHY

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